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IN THE

Supreme Court of the United States

October Term, 1957
No. 647

LAS PALMAS FOOD COMPANY, INC., a corporation; PABLO BACA GAVALDON and RALPH WORTHINGTON,

Petitioners,

vs.

RAMIREZ & FERAUD CHILI CO., a co-partnership,

Respondent.

Petitioner's Reply to Respondent's Brief in Opposition to Petition for Writ of Certiorari.

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The Determinative Facts.

Respondent's "Counterstatement of the Case" does not question our "Statement of the Case" but emphasizes those findings of the District Court relating to petitioners' procuring of labels, cans and cartons in the United States and relating to petitioners' knowledge and intent to trade upon respondent's good will in Mexico. (The findings of the Mexican authorities are, in effect, that respondent under Mexican law had no rights in the trade-mark "Las Palmas" or in any alleged good will in Mexico which were protectible thereunder. Appendices "D-1" and "D-2".) The determinative facts are certainly not in dispute:

(1) Plaintiff-respondent has a valid, and prior, United States trade-mark "Las Palmas" and good will in connection therewith in both the United States and Mexico.

(2) Petitioners include a Mexican national who resides in Los Angeles. Said petitioner (Baca) has a valid

Mexican trade-mark "Las Palmas". His right to this mark in Mexico has been determined in adversary proceedings between the parties in Mexico.[1]

(3) Petitioners' obtaining and use of the Mexican trade-mark "Las Palmas" was and is with intent to trade upon plaintiff's good will. Some United States residents or citizens purchase food products in Mexican border cities and there is a substantial likelihood that such purchasers will be misled by petitioners' "spurious products in Mexico". [Find. 26, R. 64.] Consequently, plaintiff's good will in both Mexico and the United States is placed in jeopardy and purchases by plaintiff's wholesalers and brokers for shipment into Mexico have diminished.

(4) Petitioners purchase various items—such as cans, cartons, and labels—in the United States for use in their operations in Mexico. However, since December, 1954, petitioners have made absolutely no sales whatsoever in the United States under the trade-mark or trade name "Las Palmas" or "Las Palmas Food Co., Inc." Rather, all of petitioners goods have been produced, packed and sold *exclusively* in the Republic of Mexico. [Find. 18, R. 61.]

(5) Plaintiff commenced proceedings in Mexico to register its "Las Palmas" mark there and to effect nullification or cancellation of Baca's registration. [Find. 34, R. 69.] Plaintiff also instituted the instant action in the United States District Court for the Southern District of California, Central Division, and prayed for a temporary and permanent injunction enjoining petitioners

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[1]The determination of the Mexican administrative agency (Appendix "D-1") and the affirmance thereof by the First District Court in Administrative Matters of the United States of Mexico (Appendix "D-2"), has been appealed by plaintiff to the Supreme Court of Mexico, whose decision is momentarily expected.

from using their trade-mark "Las Palmas" in the United States and Mexico. [Plaintiff also prayed in its Amended Complaint that petitioner Baca be ordered "to assign and transfer all of his right, title, and interest in and to the Mexican registration of the trade-mark 'Las Palmas', No. 76,068, issued February 10, 1954, to the plaintiff herein . . ." R. 40.]

(6) The District Court issued its Preliminary injunction enjoining petitioners from using the trade-mark "Las Palmas" not only in the United States (where petitioners have never used it) but also in the Republic of Mexico (where petitioner Baca is the registered owner of it).

(7) During the pendency of the appeal in the United States Court of Appeals for the Ninth Circuit, the Mexican authorities determined that petitioner Baca's registration should not be cancelled or nullified. Though the learned District Judge had taken express cognizance that at the time of his ruling there had been no determination between the parties in adversary proceedings in Mexico, the Court of Appeals affirmed his order without regard to this determination.

We respectfully submit that the District Court had no jurisdiction to issue an injunction enjoining sales in Mexico under a valid Mexican trade-mark registration and that, in any event, under the doctrine of comity such an injunction should not issue or be affirmed, especially where the parties have themselves appealed to the foreign forum and said forum has decided in petitioners' favor. The issues raised go to the core of the problems of jurisdiction and comity in our federal courts.[2]

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[2]The identical issues in the *Vanity Fair* case were characterized by the Second Circuit as "interesting and novel questions concerning the extraterritorial application of the Lanham Act." (234 F. 2d 633, 636.)

ARGUMENT AMPLIFYING REASONS FOR THE WRIT.

I.

The Decision Below Is in Conflict With the Decision of the Court of Appeals for the Second Circuit on the Same Matter in Vanity Fair Mills v. T. Eaton Co., 234 F. 2d 633 (2d Cir. 1956), cert. den. 352 U. S. 871 (1956). (Reference: Resp. Br. pp. 7-10.)

We have no hesitancy in repeating that this case is now all-fours with the *Vanity Fair* case. Of the three factors which Judge Waterman found present in the *Bulova Watch* case when it reached this Court he concluded that only that "the defendant's conduct had a substantial effect on United States commerce" was present in the *Vanity Fair* case. One factor in the *Bulova Watch* case which was absent (234 F. 2d 633, 642) from the *Vanity Fair* case he put this way:

> "(2) the defendant was a United States citizen and the United States had a broad power to regulate the conduct of its citizens in foreign countries." (P. 642.)

In the present case the petitioner Baca is not a United States citizen. True it is that he is a United States resident, and that the District Court has personal jurisdiction over him, but this does not confer jurisdiction to regulate his conduct in his native country or to strip him of privileges which his country has given him to exercise there. The defendant in the *Vanity Fair* case was a foreign corporation over whom the United States had personal jurisdiction. It too was doing business in the United States and had been afforded privileges and protection here. (234 F. 2d 633, 636-637.) How-

ever, the Court of Appeals for the Second Circuit held broadly in directly pertinent language:

> "The crucial issue in this case is the validity of defendant's Canadian trade-mark registration under Canadian trade-mark law . . . Under these circumstances, we do not think a United States district court should take jurisdiction over that portion of this action turning on the validity or invalidity of defendant's Canadian trade-mark.
>
> . . . . . .
>
> ". . . we do not think it the province of United States district courts to determine the validity of trademarks which officials of foreign countries have seen fit to grant." (234 F. 2d 633, 646-647.)

The second factor present in *Bulova Watch* and absent from *Vanity Fair* was put this way:

> "(3) there was no conflict with trade-mark rights established under the foreign law, since defendant's Mexican registration had been cancelled by proceedings in Mexico." (P. 642.)

This critical fact, which this Court highlighted in the *Bulova Watch* case, even respondent concedes to be absent here. (Resp. Br. bottom p. 7.)

Respondent states that the petitioners Las Palmas Food Company, Inc., a California corporation, and Ralph Worthington, a United States citizen, "merely try to hide behind their confederate Baca and urge a conflict with *Vanity Fair* by virtue of his citizenship." (P. 9.) The rationale of the Second Circuit in *Vanity Fair*, however, on which we rely, has a much broader base than merely the fact that the key defendant there was a foreign corporation. Personal jurisdiction over the defendants

were found there, but jurisdiction over the subject matter —commerce in a foreign country under a foreign trademark registration—was lacking; in addition, comity barred the taking of jurisdiction even if it existed. The same considerations control here, both as to Baca and the other petitioners.

II.

The Bulova Watch and Vanity Fair Opinions Emphasize the Importance of the Federal Question Here Presented. (Reference: Resp. Br. pp. 10-13.)

Respondent is correct that at the date of decision by the Court of Appeals for the Fifth Circuit in *Bulova Watch Co., Inc. v. Steele,* 194 F. 2d 567, the plaintiff there had not been successful in its Mexican litigation. The opinion of this Court, however, vitiates any effect which might otherwise be given to the opinion of the Fifth Circuit. Beyond that, this Court was careful to point out that prior to its own determination

> "On October 6, 1952, the Supreme Court of Mexico rendered a judgment *upholding* an administrative ruling which had *nullified* petitioner's Mexican registration of 'Bulova'." (344 U. S. at 285.) (Emphasis added.)

In the case at bar the administrative ruling and the judgment of the Mexican courts to date have refused to nullify petitioner's Mexican registration, and this in adversary proceedings between these very parties.

Respondent next argues that there can be no affront to the foreign sovereign in enjoining the petitioners' use of their Mexican mark in Mexico because, so it is said, this does not conflict with petitioners' right to maintain their registration in Mexico "and there are pending *in Mexico*

no proceedings between the parties seeking to enjoin *use* of the 'Las Palmas' mark." (P. 12.) This argument, we submit, is simply an attempt to interpret the effect of the law of Mexico and must fail for the following reasons:

(1) Nothing in the record supports an interpretation of the Mexican law that there is, and the Mexican law does not contain, a dichotomy of the sort implied between the right to register a mark and a right on the part of the registrant to use said mark. The only evidence of the Mexican law which was before the United States Courts below consisted of an "Extract of Pertinent Mexican Law" and the "Affidavit of Juan Del Avellano Ochoa." [R. 53-55.] The Extract is reproduced in Findings 31 and 32 [R. 66-68, and Appendix "C-2"], and is clearly confined to adjudications between conflicting claims. The only evidence as to the effect of valid registration upon the right to use the mark under the Mexican law of trade-mark as a whole is contained in the mentioned affidavit [R. 21-22], wherein it is stated that petitioner Baca has the exclusive right to use said mark in Mexico.[3]

(2) The findings of the District Court do not purport to interpret the Mexican law, either as respondent would interpret them or otherwise. Findings 31 and 32 [R. 66-68] merely state that "the trade-mark laws of the Republic of Mexico recognize the rights of a prior user in the Republic of Mexico by providing . . . as follows:" The findings then merely reproduce the Extract

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[3]Respondent's statement (Resp. Br. p. 6) concerning our alleged misrepresentation as to what foreign law was before the District Court must stem from respondent's misreading of our clear statement on page 7 of the Petition for Certiorari.

without determining which provision would apply in this case under the laws of Mexico. The Mexican authorities have determined that Article 200, III, applies. (See Appendix "D-1" at p. 79.)[4]

(3) Finally respondent makes a wholly irrelevant argument:

> "Here there can be no question of a violation of Mexican sovereignty, since under the law of Mexico, any alleged right of *exclusive* use derived from registration in that country is rendered ineffectual against plaintiff under that sovereign's own law." (Emphasis added.)

The injunction does not purport to determine whether petitioners' have any "right of exclusive use". The injunction prohibits petitioners from using their Mexican registration in Mexico at all, regardless of whether respondent under Mexican law can also use the mark there.

We submit that pages 10-13 of Respondent's Brief in Opposition primarily emphasize how inappropriate a forum are "United States district courts to determine the validity of trade-marks which officials of foreign countries have seen fit to grant." (*Vanity Fair Mills v. T. Eaton Co.*, 234 F. 2d 633, 647.) We further submit that the enjoining of petitioners' use of their mark in Mexico where by registration the foreign sovereign has deliberately conferred on petitioners a special status mak-

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[4]Respondent's argument that "Under these facts the Mexican law provides that 'The right to the use of a trademark obtained by virtue of its registration shall be ineffectual . . . ' against the prior user" (p. 12) is therefore simply respondent's conclusion and not a finding of fact and is properly to be argued in the Mexican forum. It has been argued there, and that forum has concluded that the provisions upon which respondent relies are inapplicable to the facts here. (Appendices "D-1" and "D-2".)

ing such use privileged and protected is on its face an affront to the sovereignty of the foreign jurisdiction. The injunction rests on the premise that petitioners' use in Mexico is unlawful. The affront to the foreign sovereign and the conflict with the foreign law is all the clearer where the privilege and protection have been confirmed by the Courts of the foreign sovereign in adversary proceedings between these same parties. The core issue of the proceedings in Mexico is who has the right to register and use the mark in Mexico.

Our Petition (p. 4) states that this case involves not only the Lanham Act and the Mexican statutes but also the International Convention for the Protection of Industrial Property (Paris Union 1883) 53 Stat. 1754, as revised 1934, T. S. No. 94. (See Appendix "C-3".) We submit that a reading of the Lanham Act in the light of this treaty clearly shows that Congress contemplated a foreign adjudication of the propriety of the use of a trade-mark in a foreign forum; Congress in the Lanham Act did not confer jurisdiction upon an American Court to render such an adjudication.

Section 45 of the Lanham Act (15 U. S. C. §1127) contains the following:

> "The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or color-

able imitations of registered marks; and to provide rights and remedies *stipulated by treaties and conventions* respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations."

Section 44 of the Lanham Act (15 U. S. C. §1126) (Appendix "C-1", pp. 39-41) clearly differentiates between rights under the Lanham Act and rights in a foreign country under a foreign registration statute.

The Paris Convention (see Appendix "C-3"), to which both Mexico and the United States are parties, and which is specifically mentioned in Section 44 of the Lanham Act, contains, *inter alia*, the following provisions:

> Art. 2, subsec. (3): *The provisions of the legislation of each of the countries* of the Union relative to judicial and administrative proceedings and to competent authority, as well as to the choice of domicile or the appointment of an authorized agent, which may be required by the law on industrial property *are expressly reserved.*
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> Art. 4, subsec. D(1): Any person desiring to take advantage of the priority of a previous application must make a declaration giving particulars as to the date of such application and the country in which it was made. *Each country will determine the latest date at which such declaration must be made.*[5]

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[5]Please see the appropriate statutory regulations established by the Congress, to wit, Section 44 of the Lanham Act (15 U. S. C., Sec. 1126 (Appendix "C-1", pp. 39-41). These include that an application in the United States must be filed within six months from the date on which the application was first filed in the foreign country. Mexico has adopted a somewhat similar provision and the Mexican authorities have determined that plaintiff here has not complied with

Art. 5, subsec. C(1): If in a country the use of a registered mark is compulsory, the registration can be cancelled only after a reasonable period, and if the interested party cannot justify the causes of his inaction.

Art. 6, subsec. A: Every trade mark duly registered in the country of origin shall be admitted for registration in the other countries of the Union *under the reservations indicated below.* These countries can demand, before proceeding to a final registration, the production of a certificate of registration in the country of origin issued by the competent authority. No legislation shall be required for this certificate.

Art. 6, subsec. B(1): Nevertheless, the following marks may be refused or cancelled: 1. Those which are of such a nature as to infringe upon *rights acquired by third parties in the country where protection is applied for.*

Art. 17: The execution of the reciprocal engagements contained in the present convention shall be *subordinated*, insofar as necessary, to the observance of the formalities and rules established by the constitutional laws of those of the countries of the Union which are bound to enforce the same, which they undertake to do with as little delay as possible.

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said provision. See Law of Industrial Property of the Republic of Mexico, Ch. IX, Art. 200, III (Appendix "C-2", pp. 49-50), and Decision No. 57 of the General Division of Patents and Trade Marks of the Department of Economy of the United States of Mexico (Appendix "D-1", pp. 62-83, especially at p. 79.) The findings of the United States District Court show on their face that plaintiff obtained its United States registration in 1940 [Finding 9, R. 58] but has not applied for a Mexican registration except through the nullification proceedings instituted in 1956 against petitioners, which proceedings were decided adversely to plaintiff.

We submit that the above provisions clearly reserve to the Republic of Mexico the right to determine whether plaintiff or petitioners may use the trade-mark "Las Palmas" on goods produced, packed and sold in Mexico, and that the Congress never intended to confer jurisdiction upon our District Courts to make such a determination, even where the mark was also registered in the United States. Because in the *Bulova Watch* case the Supreme Court of Mexico had nullified petitioner's Mexican registration before this Court's decision, this Court did not have to weigh the impact of the above provisions. Clearly the question is a most important one.

Conclusion.

This Court in the *Bulova Watch* case expressly left open "The question . . . whether a valid foreign registration would affect either the power to enjoin or the propriety of its exercise . . ." (344 U. S. at 289.) The Second Circuit in the *Vanity Fair* case answered the question as to both its facets in the affirmative, and this Court denied certiorari. The Ninth Circuit has now answered the question as to both its facets in the negative. The case is peculiarly appropriate for the granting of certiorari.

Respectfully submitted,

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